

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 2030 - HB 2077

February 20, 2020

**SUMMARY OF BILL:** Expands the voters who must be included in a referendum to levy or increase the rate of a local option sales tax assessed by counties.

**ESTIMATED FISCAL IMPACT:**

**Other Fiscal Impact – For a county electing to hold a referendum not in conjunction with a regularly scheduled election, there will be a permissive increase in local expenditures estimated to exceed \$1,000 for each occurrence.**

Assumptions:

- Pursuant to Tenn. Code Ann. § 67-6-702 through § 67-6-706:
  - Counties and municipalities are authorized to levy a local option sales tax, each at a maximum rate of 2.75 percent;
  - Prior to the levy or increase of such tax, the applicable local government must hold a referendum of applicable voters;
  - If a county opts to levy the tax at the same rate which is levied by a municipality within the county, such referendum is open only to the voters who reside within the county, but outside the municipal limits;
  - If a county opts to levy the tax at a higher rate than that levied by a municipality within the county, such referendum is open to residents of the county and those of the applicable municipality.
- All counties currently levy a local option sales tax; however 45 counties do not currently levy the maximum amount. Of those 45, 18 contain at least one city which levies the tax at a higher rate than the county.
- The proposed language would require a county legislative body to hold a county-wide referendum prior to increasing their local option sales tax rate.
- Expenditures associated with referenda are determined by the following:
  - Tenn. Code Ann. § 2-3-204 requires elections on questions be conducted within 75 and 90 days of the county election commission receiving notification to conduct such an election;
  - Tenn. Code Ann. § 2-3-103 establishes that voting precincts are limited to a size of 6,000 registered voters;
  - Referenda held in conjunction with a regularly scheduled election do not result in any increase in local expenditures as precincts are currently operational; and

- Expenditures for referenda held not in conjunction with a regularly scheduled election are driven by the population to be polled and ultimately, the number of precincts which are required for the specific election.
- Based on information provided by the Secretary of State, using figures from the 2016 Presidential Preference Primary, expenditures to hold a county-wide referendum are estimated as follows:
  - Approximately 40 smaller counties pay between \$10,500 and \$25,000;
  - The approximately 47 mid-sized counties pay between \$26,000 and \$94,000; and
  - The top eight counties pay between \$100,000 and \$773,000.
- For any county electing to hold a referendum not in conjunction with a regularly scheduled election, there will be a one-time permissive increase in local expenditures. The extent of such expenditures will vary based on the number of voters which would not have been included in the referendum in the absence of this legislation; however any such increase in local expenditures is reasonably estimated to exceed \$1,000 each occurrence.
- For the purposes of this fiscal analysis, it is assumed that the proposed legislation will not significantly impact the outcome of any such referendum.

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Krista Lee Carsner, Executive Director

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